



UTAH COMMITTEE OF CONSUMER SERVICES

MISSION

The Utah Committee of Consumer Services (Committee) was created by Utah legislators in the 1977 General Legislative Session. The Committee represents the interests of small business owners, farmers and ranchers, and residential customers of natural gas, electric, and telephone utilities in Utah. The Committee convenes regular public meetings to provide utility customers the opportunity to present concerns and petition the Committee to take action. The Committee has the statutory responsibility to advocate, on its own behalf and in its own name, positions most advantageous to a majority of its constituency before the Public Service Commission of Utah.

FY 2006 HIGHLIGHTS

During the past year, the Committee participated in numerous dockets on electricity, natural gas, and telephone issues before the Utah Public Service Commission. The Committee's participation in these filings, combined with legislative issues, resulted in millions of dollars in savings to Utah residential, agricultural and small business customers. Highlights of the fiscal year include the following:

- ▶ **PacifiCorp Rate Case – March 7, 2006**
[\(Docket No. 06-035-21\)](#)
PacifiCorp (dba Utah Power) filed an application with the Public Service Commission of Utah for a record-breaking rate hike of \$197 million, averaging 17 percent over current levels. The Committee hired experts to ensure electric costs passed on to customers are fair and reasonable.
- ▶ **Questar Gas Co. Recovery of Gas Management Costs – CO₂ Case**
[\(Docket No. 05-057-01\)](#)
On January 6, 2006, the Public Service Commission approved the Gas Management Cost Stipulation of Questar Gas Company, the Utah Division of Public Utilities and the Utah Committee of Consumer Services, authorizing recovery in rates of a portion of the costs incurred by Questar Gas Company in managing the heat content of the gas supplies delivered to its system commencing February 1, 2005.
- ▶ **Questar Conservation Enabling Tariff - December 16, 2005**
[\(Docket No. 05-057-T01\)](#)
Questar Gas Company, Utah Division of Public Utilities, and Utah Clean Energy (collectively, Joint Applicants) filed an application before the Public Service Commission of Utah requesting approval of tariff changes

that would implement a Conservation Enabling Tariff (CET) Pilot Program. The Committee favors conservation but has concerns with a CET that encompasses a full sales and revenue decoupling mechanism and, therefore, withheld its support.

► **MidAmerican Energy Holdings Company Acquisition of PacifiCorp**
(Docket No. 05-035-54)

On 15 November 2005, the Committee and other interested parties accepted terms of agreement with MidAmerican Energy Holdings Company. As part of the settlement, the Committee worked to secure a commitment from the company to increase local presence with decision-making authority.

► **PacifiCorp Excess Income Tax Cost Monies Collected in Rates**
(Docket No. 05-035-98)

On October 6, 2005, the Committee filed a request for agency action with the Public Service Commission of Utah alleging that PacifiCorp had been over collecting income tax costs in Utah rates since its 1999 merger with ScottishPower. On March 24, 2006, the Committee, Utah Industrial Energy Consumers and MidAmerican Energy Holdings Company, who recently acquired PacifiCorp from ScottishPower, settled the lawsuit on terms that offer future cost savings of approximately \$32 million to Utah ratepayers.

CUSTOMER SERVICE

Electricity

▪ **PacifiCorp 2006 Rate Case**

On March 7, 2006, PacifiCorp (doing business as Utah Power & Light Company) filed an application for a rate increase of \$197.2 million (averaging 17 percent), effective December 11, 2006. This is a significant increase over previous rate case requests. This request was under the ownership of ScottishPower. MidAmerican Energy Holdings Company (MEHC) completed its purchase of Utah Power the end of May. Under the terms of acquisition, MEHC agreed, at the Committee's persistence, to hold off implementing its rate increase for 45 days. At the proposed rate increase amount, the 45-day delay was worth approximately \$24 million to Utah consumers. On April 5, 2006, PacifiCorp filed testimony that reduced the Company's proposed rate increase from \$197.2 million to \$194.1 million.

The Committee hired a consultant to ensure electric costs being passed on to Utah customers were fair and reasonable. Based on the facts and circumstances inherent in this rate case, the Committee filed testimony in June supporting the use of the Company's proposed future test year ending September 30, 2007 as allowed under Utah Statute 54-4-4(3). However, support was contingent on safeguards being put into place that would make PacifiCorp more accountable for its projections and

provide more assurance that the costs it forecasts are consistent with what actually occurs in the rate effective period.

- **Demand Side Management (DSM)**

The Committee recognizes that more efficient use of energy is of vital importance to all PacifiCorp customers. Consequently, Committee staff actively participates in the DSM advisory group. PacifiCorp is reviewing and evaluating the cost-effectiveness of proposals received from its DSM Request for Proposals (RFP). It is expected that additional DSM programs from the RFP will be implemented in FY 07.

- **Avoided Cost Methodology**

In an effort to encourage more efficient use of fossil fuels and the development of renewable energy, the Public Utilities Regulatory Policy Act (PURPA) requires that public utilities purchase power from Qualifying Facilities (QFs) at the utilities avoided cost. The avoided cost is what it would cost the utility to produce or purchase power if that power were not available from the QF. The Committee recommended to the Commission adoption of a methodology that will allow QFs to receive the payment to which they are entitled while protecting customers from paying more for energy than they otherwise would. Following months of investigation, analysis and several hearings the Commission adopted the Committee's recommended method for determining avoided costs.

- **Qualifying Facilities Contracts**

The Public Utilities Regulatory Policies Act (PURPA) requires utilities to interconnect with, and purchase power at avoided cost from, Qualifying Facilities (QFs). QFs are non-utility generators that may use a variety of generating technologies.

The Committee analyzed and evaluated proposed QF contracts from two large industrial cogeneration facilities in Utah. The Commission has approved both contracts and those resources are providing approximately 56MW to PacifiCorp's system.

- **PacifiCorp's Integrated Resource Plan**

PacifiCorp (Company) filed an update to its 2004 Integrated Resource Plan (IRP) on November 4, 2005. The IRP helps to determine future actions the Company will take and resources it will acquire to meet its responsibility to provide reliable, least cost service with reasonable risk to its customers. A fresh report is prepared biennially. An update to the report is prepared in the off year.

In the past, updates have been considered informational only. However, because of a change in Utah law, effective February 25, 2005, the Public Service Commission of Utah (Commission) now reviews any filed plan and provides guidance to the filing utility. As a result, the Commission requested comments on the IRP 2004 Update. It issued the request in February of 2006. The Committee along with other parties filed comments in May. An order is expected sometime in late August or early September.

In its comments, the Committee expressed appreciation to the Company for its responsiveness to stakeholder concerns, which resulted in an improved plan. It indicated that the new plan reduced the gas price risk inherent in the previous plan and better integrated the PacifiCorp system. However, the Committee did not endorse the new plan as least cost, least risk. The Committee stated that it remained alarmed by the market risk inherent in the Company's resource strategy. It noted that since wind and coal are the only feasible technologies that reduce market reliance while not increasing gas price risk, PacifiCorp should make every effort to lockdown such stably priced resources as quickly as possible and to proceed expeditiously with its 2012 RFP.

- **Power Cost Adjustment Mechanism (PCAM)**

PacifiCorp filed an application for a Power Cost Adjustment Mechanism (PCAM) on November 23, 2005. Approval of a PCAM would change the way net power costs are determined for recovery from Utah customers. Instead of the normalizing process and production cost modeling currently used, a PCAM would track actual power costs in a deferred account and either charge customers or credit customers the difference from a base level determined during a general rate case whenever a predetermined balance was reached. A PCAM shifts the risk that the future unfolds differently from what the Company expects, and has planned for, from shareholders to ratepayers. Thus, a PCAM can distort planning incentives.

A procedural schedule for the filing of testimony and evidentiary hearings for the PCAM was set in early April 2006 as part of the 2006 Rate Case under the rate case docket number, and the two dockets were consolidated for certain purposes. In late June, the Commission issued an Order vacating the PCAM procedural schedule and freed the PCAM to proceed independently. A new procedural schedule for the PCAM has not been set.

In May the Utah Industrial Energy Consumers (UIEC) filed a Motion to Dismiss the PCAM. Replies are due in early July. The Committee intends to support the UIEC's Motion to Dismiss.

- **Multi-State Process (MSP)**

PacifiCorp operates a single system to serve customers in six states and is subject to the jurisdiction of those states. In order for the Company to neither under collect nor over collect from its customers, state Commissions must determine a state's share of total system costs in a similar manner. The Multi-State Process (MSP) is the current forum for addressing issues with interjurisdictional allocation components.

The current MSP process resulted from concerns with the effect on other states of Oregon's 1999 deregulation legislation and Utah's strong load growth. The formal multi-state process began in March 2002. It resulted in a new interjurisdictional allocation method termed the Revised Protocol that became effective early in 2005.

The Revised Protocol directed ongoing activity, and Oregon's order approving the Revised Protocol required further multi-state action. As a result, three workgroups were formed in the spring of 2005. The Committee participated fully in all three workgroups and was influential in their outcomes. Early in June 2006, the MSP Standing Committee, created by the Revised Protocol, declared that the workgroups had completed their tasks.

During a meeting in late June, the Standing Committee considered forming a new workgroup to address upcoming issues. That decision was delayed. The Standing Committee will again take up the issue at its next meeting.

- **MidAmerican Energy Holdings Company (MEHC) Acquisition of PacifiCorp**
On 24 May 2005, MidAmerican announced it had reached an agreement with ScottishPower to acquire its subsidiary, PacifiCorp. The Public Service Commission of Utah (Commission) established that a net positive benefit must be shown if MEHC is to acquire PacifiCorp. On 15 November 2005, the Committee and other interested parties accepted terms of agreement with MEHC. The Stipulation constituted the negotiated resolution of all issues among the signatory parties, as provided in 50 general commitments and 28 Utah-specific commitments. The commitments include the extension of existing commitments previously entered into by PacifiCorp and/or ScottishPower, new commitments applicable to all the state of PacifiCorp's service territory, and commitments applicable only to the activities and operations of PacifiCorp within Utah. Among the Utah-specific commitments are those which deal with local presence of PacifiCorp. The Applicants made a commitment to increase senior management and associated corporate personnel with those positions in the state of Utah. They also made a commitment dealing with the decision-making authority of principal officers and those with delegated authority in Utah to be able to make decisions regarding Utah customers on issues involving tariff interpretations and line extensions, for example, and other issues. On January 27, 2006, the Commission approved the Stipulation by parties supporting the acquisition of PacifiCorp from ScottishPower by MidAmerican Energy Holdings Company. MEHC announced that it had completed the purchase of PacifiCorp from ScottishPower on March 21, 2006.
- **Review and Evaluation of Home Electric Lifeline Program (HELP)**
The HELP program was first authorized by the Public Service Commission in May, 2000. The program provides for a fund from which eligible low-income residential customers are given a credit upon their monthly Utah Power electric bill. The Committee contends that HELP is beneficial to public and ratepayer interests. For this reason, the Committee recommended that the Public Service Commission continue the program. On November 23, 2005, the Commission order approved the continuation of the HELP program, reduced the customer surcharge rate from 12 cents to 10 cents, and made a one-time refund to all PacifiCorp Utah customers from the excess account balance.

- **Excess PacifiCorp Income Tax Cost Monies Collected in Rates**

On October 6, 2005, the Committee filed a request for agency action with the Public Service Commission of Utah alleging that a U.S. Securities and Exchange Commission (SEC) audit revealed that PacifiCorp had been over-collecting income tax costs in Utah rates since its 1999 merger with ScottishPower. PacifiCorp denied the Committee's allegations and asserted the income tax costs it collected in rates were calculated in accordance with long-standing Public Service Commission practice.

The parties involved ultimately concluded that it was in the public's best interest to settle the dispute on reasonable terms. On March 24, 2006, the Committee, Utah Industrial Energy Consumers and MidAmerican Energy Holdings Company, who recently acquired PacifiCorp from ScottishPower, settled a pending lawsuit on terms that offered future cost savings of approximately \$32 million to Utah ratepayers. As part of the settlement, MEHC agreed to transfer its \$12.2 million stock ownership in Intermountain Geothermal Company (IGC) to PacifiCorp.

PacifiCorp's ownership and control of IGC's steam fields offer potential economic benefits to Utah customers. The projected benefits of \$32 million, enough energy to supply 27,000 homes, are based on a 36 Megawatt expansion of the Blundell Geothermal Plant located near Milford, Utah. The Blundell Geothermal Plant represents a 'clean energy resource' with costs projected to be lower than gas and coal resource alternatives.

Natural Gas

- **Questar Green Sticker Accord**

The Green Sticker Accord is an effort to unify the positions of all parties relating to the Green Sticker and furnace inspections. The Committee has always been an advocate for better technician training, a customer inspection checklist and regular appliance inspections to promote safety. After hiring a consultant to examine the conditions under which changing gas quality create a genuine customer safety concern, the Committee is convinced there is a potential safety problem if natural gas appliances are not properly adjusted to handle the new fuel blend. The Committee urges homeowners to have their gas furnances and water heaters inspected and serviced regularly by a certified technician.

- **Questar Gas Company's Request for Reduction in Rates**

On May 10, 2006, The Committee of Consumer Services and other interested parties reached a settlement with Questar Gas Company that reduced natural gas rates by \$9.7 million, effective June 1, 2006. This reduction, in addition to the \$38.6 reduction announced in April and the \$93.7 million reduction announced in February of this year, means the typical residential customer's natural gas bill will be reduced by approximately \$150 annually. On May 26, 2006, the Utah Public Service Commission issued an order approving the rate reduction Stipulation.

- **Questar Conservation Enabling Tariff**

December 16, 2005 - Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy (collectively, Joint Applicants) have filed an application before the Public Service Commission requesting approval of tariff changes that would implement a Conservation Enabling Tariff (or CET) Pilot Program and Full Sales and Revenue Decoupling Mechanism. The Committee supported and pushed for an immediate rate decrease of \$9.7 million but believed a CET that encompassed a full sales and revenue decoupling mechanism would not benefit ratepayers. The Committee withheld its support and has retained an expert to examine all aspects of the CET application.

Telecommunications

- **Sanpete County Extended Area Service (EAS)**

On June 7, 2005, the Public Service Commission of Utah (Commission) ordered Manti Telephone, Gunnison Telephone and Central Utah Telephone to undertake a study to determine cost-based prices for providing a Sanpete county-wide extended area service (EAS). An EAS would eliminate long distance charges within the county. Instead of paying long distance charges, telephone customers will pay a fixed monthly EAS charge.

On February 24, 2006, the Commission approved the companies' proposed EAS rates as a condition for conducting a customer survey to determine public interest. The Committee was involved in the surveying process, which found customers in Sanpete County generally in favor of the EAS. Because of the level of interest expressed by different parties, the Commission has set a public witness hearing date for August 28, 2006.

- **Petitions for Additional State Universal Service Funds (USF)**

The Committee was involved in the process of evaluating two requests for additional support from the State USF. Requests were made by (1) Uintah Basin Telecommunications Association, Inc. and UBET Telecom, Inc. and (2) Carbon/Emery Telcom, Inc.

(1) On April 27, 2005, a petition was submitted by Uintah Basin Telecommunications Association, Inc. and UBET Telecom, Inc. (Applicants) requesting an additional \$7.2 million increase in USF distribution. On July 7, 2005, the Commission issued a Procedural and Scheduling Order with the intent to have all relevant issues examined. The Utah Division of Public Utilities (Division) and the Committee of Consumer Services filed testimony on September 9, 2005, addressing a number of issues, such as: revenue requirement calculation, affiliate and subsidiary transactions, proper treatment of patronage credits, and the cost and necessity of building a redundant route.

On October 12, 2005, the Applicants, Division and Committee filed a Stipulation. The Stipulation was presented to the Administrative Law Judge at a hearing on

October 18, 2005. In the Stipulation the Applicants agreed to withdraw from their application any request pertaining to the Plant Acquisition and Amortization Adjustment relating to the purchase of the Vernal, Roosevelt, and Duchesne exchanges. The applicants also agreed to withdraw any request pertaining to an alternate or redundant route. Parties agreed Applicants' return of debt, return on equity, and overall rate of return shall be set at 6.01%, 9.50%, and 6.08%, respectively. Based on the foregoing, the parties agreed that a \$1,719,646 increase in Applicants' intrastate revenue requirement was just and reasonable and that the balance of the intrastate revenue requirement shall be funded by a \$1,035,243 USF distribution increase. On November 4, 2005, the Commission approved the Stipulation increasing Applicants' intrastate revenue requirement and annual USF disbursement.

(2) On June 17, 2005, Carbon/Emery Telcom, Inc (Applicant) filed with the Public Service Commission of Utah (Commission) an application for Increase of Rates and Charges and USF Eligibility. The Applicant requested approximately \$1.5 million in additional funding. On December 19, 2005, the interested parties filed a Stipulation by which they agreed to settlement of all disputes. The parties agreed to a \$1,200,000 increase in Applicant's intrastate revenue requirement with a base affordable rate of \$14.50/month for residential and \$24.00/month for business. It was also agreed that the balance of the intrastate revenue requirement increase shall be funded by a \$250,714 USF distribution. On January 3, 2006, the Commission approved the Stipulation of Carbon/Emery Telcom, Inc, the Utah Division of Public Utilities and the Utah Committee of Consumer Services, increasing Applicant's intrastate revenue requirement and base affordable rate, and approving disbursement from the Universal Service Support Fund.

Public Communication

▪ Customer Outreach Program

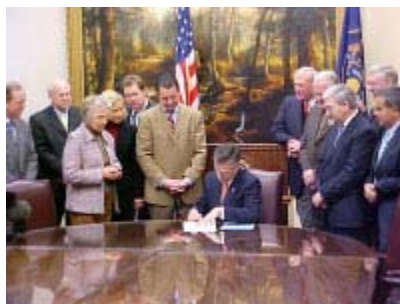
The Committee has been successful this past year in communicating effectively with its constituency. With the intent to inform, educate and listen to constituents' utility concerns, Committee staff and members have visited sixteen legislators, the Utah taxpayers Association, Bonneville Kiwanis, Utah Rural Electric Association, Women's State Legislative Council of Utah, Utah Farm Bureau Federation, American Association of Retired Persons (AARP), and Salt Lake Community Action Program. Outreach efforts continue to be extended throughout the state. Another medium used to inform and educate the public about current utility news and energy efficiency programs is the Committee's Web site: www.ccs.utah.gov.

Legislative Highlights

▪ HB 309S2 - Municipal Energy Sales and Use Tax Amendments (Sponsor: Rep. Greg Hughes)

This bill limits the amount of energy sales and use tax a municipality may charge on gas sold or used to an average historical amount based on a per decatherm

calculation. The Committee gave the bill its full support. The bill passed and was signed by Governor Huntsman.



Governor Jon Huntsman, Jr. signing Bill 309S2

Questions specific to the Committee may be directed to:

Reed Warnick, Interim Director
Committee of Consumer Services
(801) 530-6674
rwarnick@utah.gov